

**AR-WE-VA
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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AR-WE-VA COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2007 Election)

Jeffrey Luetje	President	2007
Lanice Kock	Vice President	2009
Mike Leahy		2008
Jessica Lesko		2009
Tony Greve		2008

(After September, 2007 Election)

Lanice Kock	President	2009
Tony Greve	Vice President	2008
Mike Leahy		2008
Jessica Lesko		2009
Todd Danner		2011

School Officials

Kurt Brosamle	Superintendent
Rebecca Friederichs	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To The Board of Education of
Ar-We-Va Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ar-We-Va Community School District, Westside, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

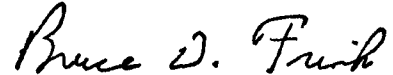
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Ar-We-Va Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 11, 2009 on our consideration of Ar-We-Va Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 30 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ar-We-Va Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

BRUCE D. FRINK
Certified Public Accountant

March 11, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

AR-WE-Va COMMUNITY SCHOOL DISTRICT

Ar-We-Va Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,223,910 in fiscal year 2007 to \$3,562,355 in fiscal year 2008, while General Fund expenditures increased from \$3,381,117 in fiscal year 2007 to \$3,397,718 in fiscal 2008.
- The increase in General Fund revenues was primarily attributable to an increase in all areas. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- The School Infrastructure Local Option Sales Tax is collected in Carroll and Crawford Counties. These monies are being used for improvements and additions to district facilities and equipment purchases.
- The District issued over \$1.7 million of long-term debt for infrastructure projects.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Ar-We-Va Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Ar-We-Va Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ar-We-Va Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Ar-We-Va Community School District Annual Financial Report

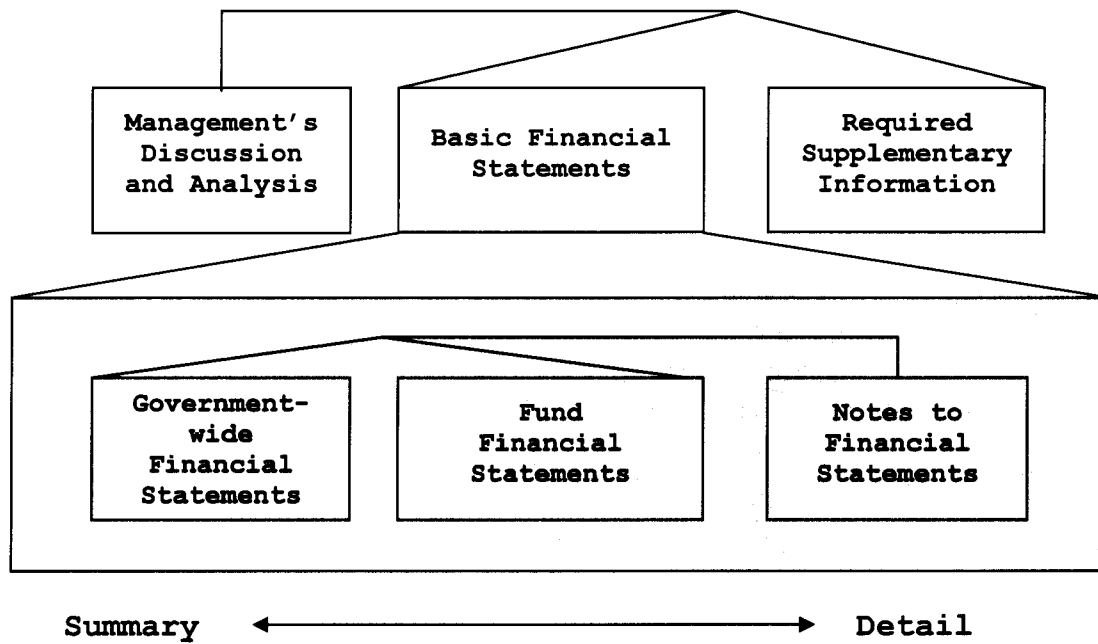


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 4,234	2,441	1	14	4,235	2,455	72.51%
Capital assets	1,560	557	16	19	1,576	576	173.61%
Total assets	<u>5,794</u>	<u>2,998</u>	<u>17</u>	<u>33</u>	<u>5,811</u>	<u>3,031</u>	<u>91.72%</u>
Current liabilities	2,132	1,279	-	-	2,132	1,279	66.69%
Non-current liabilities	1,830	15	-	-	1,830	15	12100.00%
Total liabilities	<u>3,962</u>	<u>1,294</u>	<u>-</u>	<u>-</u>	<u>3,962</u>	<u>1,294</u>	<u>206.18%</u>
Net Assets							
Invested in capital assets, net of related debt	559	557	16	19	575	576	-0.17%
Restricted	119	168	-	-	119	168	-29.17%
Unrestricted	1,154	979	1	14	1,155	993	16.31%
Total net assets	<u>\$ 1,832</u>	<u>1,704</u>	<u>17</u>	<u>33</u>	<u>1,849</u>	<u>1,737</u>	<u>6.45%</u>

Restricted assets decreased as the District used its local option sales tax monies for a variety of projects, primarily a major remodeling of the high school building. The unrestricted funds increased primarily as a result of the increase in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2008	2007	2008	2007	2008	2007	2007-08	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 166	63	83	79	249	142	75.35%
Operating grants, contributions and restricted interest	700	629	62	68	762	697	9.33%
General revenues:							
Property tax	1,255	1,215	-	-	1,255	1,215	3.29%
Income surtax	100	91	-	-	100	91	9.89%
Local option sales tax	203	225	-	-	203	225	-9.78%
Unrestricted state grants	1,509	1,389	-	-	1,509	1,389	8.64%
Unrestricted investment earnings	44	50	-	-	44	50	-12.00%
Other	107	80	-	-	107	80	33.75%
Total revenues	<u>4,084</u>	<u>3,742</u>	<u>145</u>	<u>147</u>	<u>4,229</u>	<u>3,889</u>	<u>8.74%</u>
Program expenses:							
Governmental activities:							
Instruction	2,452	2,386	-	-	2,452	2,386	2.77%
Support Services	1,060	1,070	-	-	1,060	1,070	-0.93%
Non-instructional programs	23	18	161	154	184	172	6.98%
Other expenses	421	265	-	-	421	265	58.87%
Total expenses	<u>3,956</u>	<u>3,739</u>	<u>161</u>	<u>154</u>	<u>4,117</u>	<u>3,893</u>	<u>5.75%</u>
Change in net assets	<u>\$ 128</u>	<u>3</u>	<u>(16)</u>	<u>(7)</u>	<u>112</u>	<u>(4)</u>	<u>-2900.00%</u>

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,083,128 and expenses were \$3,955,505.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,452	2,386	2.77%	1,727	1,829	-5.58%
Support Services	1,060	1,070	-0.93%	1,059	1,068	-0.84%
Noninstructional	23	18	100.00%	23	18	100.00%
Other expenses	421	265	58.87%	281	132	112.88%
Totals	<u>\$ 3,956</u>	<u>3,739</u>	<u>5.80%</u>	<u>3,090</u>	<u>3,047</u>	<u>1.41%</u>

- The cost financed by users of the District's programs was \$165,698.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$418,990.
- The net cost of governmental activities was financed with \$1,254,476 in property tax, \$1,508,870 in state foundation aid, and \$43,585 in interest income.

Business-Type Activities

Revenues of the District's business type activities were \$145,259 and expenses were \$161,502. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The District's General Fund paid for over \$23,000 in salaries that are not included above.

INDIVIDUAL FUND ANALYSIS

As previously noted Ar-We-Va Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,024,203, an increase over last year's ending fund balances of \$1,088,917. The primary reason was the issuance of debt for infrastructure projects, much of which will be spent in the next fiscal year.

Governmental Fund Highlights

- The District has implemented various methods to increase offerings to all students.
- With the available PPEL and Capital Projects dollars, as well as new long term debt issue, the District was able to begin a new major remodeling project.

Proprietary Fund Highlights

The District's Nutrition Fund decreased by over \$16,000. The General Fund is being used in an effort to keep prices down.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on page 30.

Legal Budgetary Highlights

The District's receipts were \$131,000 more than budgeted receipts. The most significant variance resulted from the District receiving more in tuition and state aid than originally anticipated.

Total expenditures were less than budgeted by over \$670,000. Ar-We-Va Community School District budgets expenditures at the maximum authorized spending authority. The budget should exceed actual expenditures using this approach. Expenditures exceeded the amount budgeted in the other expenditures function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested over \$3.1 million in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. The District has invested heavily in the past several years to maintain its technology, transportation and facilities as well as remodeling the existing high school. Depreciation expense for the year was over \$124,000.

Long-Term Debt

The District's long-term debt consists of its early retirement program, capital loan notes and revenue bonds. The District issued \$1,295,000 of capital loan notes and \$510,000 of revenue bonds for remodeling the high school building.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax was passed and money began to be received by the District in fiscal 2004. This will allow the District to maintain its facilities and purchase equipment items not otherwise affordable. It is also being used for a major remodeling of the high school building.
- The District has been active in pursuing options for increasing the educational opportunities for all of its students, particularly high school. These will hopefully save costs as well as make the District more attractive to students.

- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rebecca Friederichs, District Secretary, Ar-We-Va Community School District, 108 Clinton St, Westside, IA 51467.

Basic Financial Statements

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 2,398,612	228	2,398,840
Receivables:			
Property tax:			
Current year	14,404	-	14,404
Succeeding year	1,551,314	-	1,551,314
Income surtax - succeeding year	78,147	-	78,147
Due from other governments	141,472	-	141,472
Other receivables	50,895	-	50,895
Inventory	-	349	349
Capital assets, net of accumulated depreciation	1,559,540	16,318	1,575,858
Total assets	5,794,384	16,895	5,811,279
Liabilities			
Accounts payable	527,378	129	527,507
Retainage payable	53,802	-	53,802
Deferred revenue:			
Succeeding year property tax	1,551,314	-	1,551,314
Long-term liabilities:			
Portion due within one year:			
Early retirement	25,000	-	25,000
Capital loan notes	110,000	-	110,000
Revenue bonds	80,000	-	80,000
Portion due after one year:			
Capital loan notes	1,185,000	-	1,185,000
Revenue bonds	430,000	-	430,000
Total liabilities	3,962,494	129	3,962,623
Net assets			
Invested in capital assets, net of related debt	558,902	16,318	575,220
Restricted for:			
Management levy	118,299	-	118,299
Physical plant and equipment levy	630	-	630
Unrestricted	1,154,059	448	1,154,507
Total net assets	\$ 1,831,890	16,766	1,848,656

See notes to financial statements.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Functions/Programs:				
Governmental activities:				
Instruction:	\$ 2,451,888	165,698	559,337	(1,726,853)
				-
Support services:				
Student services	47,646	-	-	(47,646)
Instructional staff services	37,104	-	-	(37,104)
Administration services	467,557	-	-	(467,557)
Operation and maintenance of plant services	223,220	-	786	(222,434)
Transportation services	284,313	-	-	(284,313)
	1,059,840	-	786	(1,059,054)
				-
Noninstructional programs:				
Food service operations	23,312	-	-	(23,312)
				-
Other expenditures:				
AEA flowthrough	136,401	-	136,401	-
Debt issuance costs	8,661	-	-	(8,661)
Facilities acquisition and construction	210,109	-	3,395	(206,714)
Depreciation (unallocated)*	65,294	-	-	(65,294)
	420,465	-	139,796	(280,669)
				-
Total governmental activities	3,955,505	165,698	699,919	(3,089,888)
				-
				(3,089,888)

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	161,502	83,079	62,180	-	(16,243)	(16,243)
Total	<u>\$ 4,117,007</u>	<u>248,777</u>	<u>762,099</u>	<u>(3,089,888)</u>	<u>(16,243)</u>	<u>(3,106,131)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,086,018	-	1,086,018
Management				133,933	-	133,933
Capital outlay				34,525	-	34,525
Income surtax				99,611	-	99,611
Local option sales tax				202,935	-	202,935
Unrestricted state grants				1,508,870	-	1,508,870
Unrestricted investment earnings				43,585	-	43,585
Other				108,067	-	108,067
Total general revenues				<u>3,217,544</u>	<u>-</u>	<u>3,217,544</u>
Change in net assets				127,656	(16,243)	111,413
Net assets beginning of year				<u>1,704,234</u>	<u>33,009</u>	<u>1,737,243</u>
Net assets end of year				<u>\$ 1,831,890</u>	<u>16,766</u>	<u>1,848,656</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General	Management	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
Assets						
Cash and pooled investments	\$ 856,163	116,809	67,281	242	1,358,117	2,398,612
Receivables:						
Property tax:						
Current year	12,526	1,490	-	388	-	14,404
Succeeding year	1,225,726	130,000	-	195,588	-	1,551,314
Income surtax - succeeding year	78,147	-	-	-	-	78,147
Due from other governments	126,678	-	-	-	14,794	141,472
Other receivables	50,895	-	-	-	-	50,895
Total assets	<u>\$ 2,350,135</u>	<u>248,299</u>	<u>67,281</u>	<u>196,218</u>	<u>1,372,911</u>	<u>4,234,844</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$ 9,549	-	3,082	-	514,747	527,378
Retainage payable	-	-	-	-	53,802	53,802
Deferred revenue:						
Succeeding year property tax	1,225,726	130,000	-	195,588	-	1,551,314
Succeeding year income surtax	78,147	-	-	-	-	78,147
Total liabilities	<u>1,313,422</u>	<u>130,000</u>	<u>3,082</u>	<u>195,588</u>	<u>568,549</u>	<u>2,210,641</u>
Fund balances:						
Reserved for capital projects	-				804,362	804,362
Unreserved fund balance	1,036,713	118,299	64,199	630	-	1,219,841
Total fund balance	<u>1,036,713</u>	<u>118,299</u>	<u>64,199</u>	<u>630</u>	<u>804,362</u>	<u>2,024,203</u>
Total liabilities and fund balances	<u>\$ 2,350,135</u>	<u>248,299</u>	<u>67,281</u>	<u>196,218</u>	<u>1,372,911</u>	<u>4,234,844</u>

See notes to financial statements.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)		\$ 2,024,203
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Income surtax receivable at June 30, 2007 is not recognized as a revenue until received in the governmental funds, however it is shown as a revenue in the Statement of Activities in the year of levy, thus no deferred revenue is shown in the Statement of Net Assets		78,147
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds		1,559,540
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Early retirement	\$ (25,000)	
Capital loan notes	(1,295,000)	
Revenue bonds	<u>(510,000)</u>	
		<u>(1,830,000)</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 1,831,890</u></u>

See notes to financial statements.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

Revenues:	General	Management	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
Local sources:						
Local tax	\$ 1,180,842	133,933	-	34,525	202,935	1,552,235
Tuition	159,926	-	-	-	-	159,926
Other	157,424	578	140,445	110	3,395	301,952
State sources	1,870,607	77	-	21	-	1,870,705
Federal sources	193,556	-	-	-	-	193,556
Total revenues	3,562,355	134,588	140,445	34,656	206,330	4,078,374
Expenditures:						
Current:						
Instruction	2,303,511	15,000	124,399	-	21,133	2,464,043
Support services:						
Student services	47,646	-	-	-	-	47,646
Instructional staff services	26,546	-	-	10,558	-	37,104
Administration services	385,296	63,950	-	18,311	-	467,557
Operation and maintenance of plant services	247,043	-	-	2,210	-	249,253
Transportation services	227,963	-	-	-	-	227,963
	934,494	63,950	-	31,079	-	1,029,523
Noninstructional programs						
Food service operations	23,312	-	-	-	-	23,312

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Management	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
Other expenditures:						
AEA flowthrough	136,401	-	-	-	-	136,401
Facilities acquisition and construction	-	-	-	27,487	1,258,661	1,286,148
	136,401	-	-	27,487	1,258,661	1,422,549
Total expenditures	3,397,718	78,950	124,399	58,566	1,279,794	4,939,427
Excess (deficiency) of revenues over (under) expenditures	164,637	55,638	16,046	(23,910)	(1,073,464)	(861,053)
Other financing sources (uses):						
Proceeds from issuance of capital loan notes	-	-	-	-	1,295,000	1,295,000
Proceeds from issuance of revenue bond	-	-	-	-	510,000	510,000
Debt issuance costs	-	-	-	-	(8,661)	(8,661)
	-	-	-	-	1,796,339	1,796,339
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	164,637	55,638	16,046	(23,910)	722,875	935,286
Fund balances beginning of year	872,076	62,661	48,153	24,540	81,487	1,088,917
Fund balances end of year	\$ 1,036,713	118,299	64,199	630	804,362	2,024,203

See notes to financial statements.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ 935,286

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities

4,787

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 1,124,227	
Depreciation expense	<u>(121,644)</u>	1,002,583

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Assets.

Issued	(1,805,000)
--------	-------------

Early retirement benefits accrued in the current year increase long-term liabilities	(25,000)
---	----------

Early retirement expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

15,000

Change in net assets of governmental activities (Exhibit B) \$ 127,656

See notes to financial statements.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 83,079
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	56,568
Benefits	6,938
Supplies	95,334
Depreciation	2,662
Total operating expenses	<u>161,502</u>
Operating (loss)	<u>(78,423)</u>
Non-operating revenues:	
State sources	1,998
Federal sources	60,097
Interest income	85
	<u>62,180</u>
Changes in net assets	(16,243)
Net assets beginning of year	<u>33,009</u>
Net assets end of year	<u>\$ 16,766</u>

See notes to financial statements.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 83,079
Cash payments to employees for services	(63,506)
Cash payments to suppliers for goods or services	(87,954)
Net cash (used in) operating activities	<u>(68,381)</u>
Cash flows from non-capital financing activities:	
State grants received	1,998
Federal grants received	52,846
Net cash provided by non-capital financing activities	<u>54,844</u>
Cash flows from investing activities:	
Interest on investments	<u>85</u>
Net increase in cash and cash equivalents	(13,452)
Cash and cash equivalents beginning of year	<u>13,680</u>
Cash and cash equivalents end of year	<u><u>\$ 228</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	\$ (78,423)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,662
Commodities used	7,251
Increase in accounts payable	129
	<u><u>\$ (68,381)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>\$ 228</u></u>
Non-cash investing, capital and financing activities:	

During the year ended June 30, 2008, the District received federal commodities valued at \$7,251.

See notes to financial statements.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Ar-We-Va Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Arcadia, Vail and Westside, Iowa, and agricultural area in Carroll and Crawford Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Ar-We-Va Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Ar-We-Va Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Carroll and Crawford Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the other expenditures function exceeded the budgeted amount.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,700	-	-	54,700
Capital assets being depreciated:				
Site Improvements	135,753	-	-	135,753
Buildings	944,636	-	-	944,636
Furniture and Equipment	799,989	48,188	-	848,177
Construction in progress	-	1,076,039	-	1,076,039
Total capital assets being depreciated	1,880,378	1,124,227	-	3,004,605
Less accumulated depreciation for:				
Site Improvements	76,710	3,280	-	79,990
Buildings	850,023	14,668	-	864,691
Furniture and Equipment	451,388	103,696	-	555,084
Total accumulated depreciation	1,378,121	121,644	-	1,499,765
Total capital assets being depreciated, net	502,257	1,002,583	-	1,504,840
Governmental activities, capital assets, net	\$ 556,957	1,002,583	-	1,559,540
Business type activities:				
Furniture and equipment	\$ 59,809	-	-	59,809
Less accumulated depreciation	40,829	2,662	-	43,491
Business type activities capital assets, net	\$ 18,980	(2,662)	-	16,318
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				\$ 56,350
Unallocated				65,294
				<u>\$ 121,644</u>
Business Type activities:				
Food service operations				<u>\$ 2,662</u>

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$133,082, \$125,159, and \$126,771 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$136,401 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	<u>Early Retirement</u>	<u>Capital Loan Notes</u>	<u>Revenue Bonds</u>	<u>Total</u>
Balance beginning of year	\$15,000	-	-	15,000
Additions	25,000	1,295,000	510,000	1,830,000
Reductions	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Balance end of year	<u>\$25,000</u>	<u>1,295,000</u>	<u>510,000</u>	<u>1,830,000</u>

Early Retirement - The District offers a voluntary early retirement to teachers. To qualify, a teacher must have been employed at Ar-We-Va Community School District for a minimum length of 15 years at full time and be at least 55 years of age, also. If a teacher met those requirements and chose to retire, the Ar-We-Va Community School District offers him or her \$10,000 to be paid in two installments of \$5,000 on July 1 and February 1 immediately following the year of resignation. A liability has been recorded in the General Long-Term Debt Account Group representing the District's Commitment to fund non-current early retirement.

(8) Commitments

The voters of the District approved the issuing of bonds for \$1,005,000 for the remodeling and new construction of facilities. Revenue bonds of \$510,000 and capital loan notes of \$1,295,000 were issued during the past year. The following amounts are as of June 30, 2008.

Contract amount	\$1,700,417
Completed to date	1,076,039
Retainage	53,802
Current payable	502,160
Paid to date	520,076
To be completed	624,378

(9) Capital Loan Notes

The District issued \$1,295,000 of capital loan notes. These will be repaid over the next ten years from proceeds of the voter approved Physical Plant and Equipment Levy.

Details of the District's June 30, 2008 Capital Loan Notes are as follows:

Year Ending June 30,	Bond Issue of April 1, 2008			
	Rates	Interest	Principal	Total
2009	2.40%	\$ 43,048	110,000	153,048
2010	2.60	40,407	120,000	160,407
2011	2.80	37,288	115,000	152,288
2012	3.00	34,067	125,000	159,067
2013	3.20	30,318	125,000	155,318
2014	3.45	26,317	130,000	156,317
2015	3.65	21,833	135,000	156,833
2016	3.75	16,905	140,000	156,905
2017	3.90	11,655	145,000	156,655
2028	4.00	<u>6,000</u>	<u>150,000</u>	<u>156,000</u>
Total		<u>\$267,838</u>	<u>1,295,000</u>	<u>1,562,838</u>

(10) Revenue Bonds Payable

The District issued \$510,000 of revenue bonds. They will be repaid with proceeds from the local option sales tax.

Details of the District's June 30, 2008 local option sales and service tax revenue bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2008			
	Rates	Interest	Principal	Total
2009	2.95%	\$10,372	80,000	90,372
2010	3.60	17,608	80,000	97,608
2011	4.00	14,727	80,000	94,727
2012	4.20	11,528	85,000	96,528
2013	4.25	7,957	90,000	97,957
2014	4.35	<u>4,133</u>	<u>95,000</u>	<u>99,133</u>
Total		<u>\$66,325</u>	<u>510,000</u>	<u>576,325</u>

Required Supplementary Information

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 2,014,113	83,164	2,097,277	1,994,626	1,994,626	102,651
State sources	1,870,705	1,998	1,872,703	1,730,832	1,730,832	141,871
Federal sources	193,556	60,097	253,653	367,000	367,000	(113,347)
Total revenues	<u>4,078,374</u>	<u>145,259</u>	<u>4,223,633</u>	<u>4,092,458</u>	<u>4,092,458</u>	<u>131,175</u>
Expenditures:						
Instruction	2,464,043	-	2,464,043	3,554,550	3,554,550	1,090,507
Support services	1,082,622	-	1,082,622	1,732,891	1,732,891	650,269
Non-instructional programs	-	161,502	161,502	224,181	224,181	62,679
Other expenditures	1,369,450	-	1,369,450	237,929	237,929	(1,131,521)
Total expenditures	<u>4,916,115</u>	<u>161,502</u>	<u>5,077,617</u>	<u>5,749,551</u>	<u>5,749,551</u>	<u>671,934</u>
Excess (deficiency) of revenues over (under) expenditures	(837,741)	(16,243)	(853,984)	(1,657,093)	(1,657,093)	803,109
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(837,741)	(16,243)	(853,984)	(1,657,093)	(1,657,093)	803,109
Balance beginning of year	1,088,917	33,009	1,121,926	1,156,800	1,156,800	(34,874)
Balance end of year	<u>\$ 251,176</u>	<u>16,766</u>	<u>267,942</u>	<u>(500,293)</u>	<u>(500,293)</u>	<u>768,235</u>

See accompanying independent auditor's report.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functions expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures exceeded the amount budgeted in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

Other Supplementary Information

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
School Plays	\$ 1,092	832	1,188	736
Music	(217)	257	40	-
Athletic Fund	14,228	60,872	61,394	13,706
FCCLA	539	-	-	539
Honor Society	1,151	845	1,104	892
Spirit Club	454	-	-	454
Student Council	4,618	6,222	7,348	3,492
Rambling Rockets/Wellness	-	1,175	-	1,175
Class of 2005	1,122	-	1,122	-
Class of 2007	261	-	261	-
Class of 2009	-	5,629	4,692	937
Class of 2011	-	33	-	33
Class of 2008	2,400	722	251	2,871
Concessions	10,665	12,425	6,954	16,136
Elementary	3,129	17,918	9,040	12,007
Industrial Arts	136	751	887	-
Middle School	(5)	20,244	15,888	4,351
Resale	(186)	657	471	-
HS Annual	5,526	8,276	11,396	2,406
Cheerleader	(40)	1,325	435	850
Dance Team	3,332	1,960	1,915	3,377
Weight Room	(52)	52	-	-
Class of 2013	-	50	-	50
Art Club	-	200	13	187
Total	<u>\$ 48,153</u>	<u>140,445</u>	<u>124,399</u>	<u>64,199</u>

See accompanying independent auditor's report.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,552,235	1,526,452	1,378,076	1,305,000	1,366,043
Tuition	159,926	62,688	90,374	231,661	161,303
Other	301,952	266,527	209,451	209,627	287,145
State sources	1,870,705	1,717,550	1,711,092	1,770,346	1,505,133
Federal sources	193,556	163,862	257,805	217,064	223,459
Total	<u>\$ 4,078,374</u>	<u>3,737,079</u>	<u>3,646,798</u>	<u>3,733,698</u>	<u>3,543,083</u>
Expenditures:					
Instruction	\$ 2,464,043	2,548,388	2,291,524	2,242,372	2,170,197
Support services:					
Student	47,646	46,063	53,940	73,383	60,110
Instructional staff	37,104	36,208	34,705	36,364	33,694
Administration	467,557	482,073	491,699	470,222	368,316
Operation and maintenance of plant	249,253	259,977	274,312	304,369	340,493
Transportation	227,963	251,196	299,595	183,291	227,871
Non-instructional programs	23,312	18,060	-	3,522	-
Other expenditures:					
Facilities acquisition	1,286,148	80,384	219,222	166,846	47,451
AEA flowthrough	136,401	131,790	126,576	137,685	125,360
Total	<u>\$ 4,939,427</u>	<u>3,854,139</u>	<u>3,791,573</u>	<u>3,618,054</u>	<u>3,373,492</u>

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of the
Ar-We-Va Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ar-We-Va Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ar-We-Va Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Ar-We-Va Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ar-We-Va Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ar-We-Va Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Ar-We-Va Community School District's financial statements that is more than inconsequential will not be prevented or detected by Ar-We-Va Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Ar-We-Va Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 08-I-A is a material weakness.

Compliance and Other Matters

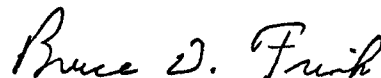
As part of obtaining reasonable assurance about whether Ar-We-Va Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted an immaterial instance of non-compliance that is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Ar-We-Va Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Ar-We-Va Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ar-We-Va Community School District and other parties to whom Ar-We-Va Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ar-We-Va Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 11, 2009

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCY:

08-I-A Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-II-B Certified Budget - Expenditures for the year ended June 30, 2008, exceeded the certified budget amount in the other expenditures function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

08-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

08-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

08-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.

AR-WE-VA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:
(continued) :

- 08-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 08-II-G Board Minutes - No transactions requiring Board approval, which had not been approved by the Board were noted.
- 08-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 08-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 08-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.